

**Request for Action
by the Trustees of the
Affordable Housing Trust Fund**

**Firm Approval of Second Mortgage Financing
for Bradford Court Apartments (Burrillville)**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of Affordable Housing Trust Fund (“AHT”) taxable second mortgage financing in an amount not to exceed \$5,000,000 for Bradford Court Apartments (the “Development”). Cathedral Development Group, Inc. is the developer (the “Developer”).

B. DISCUSSION

Bradford Court Apartments is a three-story elevator-served building with 98 units which is owned by Bradford Court Associates, LP (the “Owner” or the “Mortgagor”). The Development is located on a 3.84-acre site at 45 North Main Street in Burrillville and was built in 1981. It was most recently refinanced in 2016 with moderate renovations, including new siding, roof, windows and unit finishes completed at that time. The Development contains 88 one-bed/one-bath units and 10 two-bed/one-bath units. A Comprehensive Needs Assessment (“CNA”) was completed in February 2024. The findings of that report, primarily regarding ongoing maintenance and repair items, have been included and fully covered in the Proforma analysis. There is no construction or renovation contemplated as part of this request. The Section 8 Housing Assistance Payments contract (“HAP contract”) for the Development encumbers all 98 units, and the HAP Contract was renewed on November 1, 2023 for 20 years.

There is an existing 40-year \$8,320,000 Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) first mortgage on the Development which was originated in November 2016 and has a current balance of approximately \$7,609,093. This second mortgage will be for a term of 30 years with a 40-year amortization schedule.

This RFA requests firm approval of an amount not to exceed \$5,000,000 in taxable second mortgage financing subject to certain conditions as set forth in the attached Resolution.

C. ATTACHMENTS

- A.** Credit Summary
- B.** Resolution

Attachment A

Credit Summary

Approval Loan Recommendation Summary: BRADFORD COURT APARTMENTS

Preliminary: _____

Firm: X

Date: April 18, 2024

Project: Second Mortgage financing for Bradford Court Apartments, 98 existing affordable apartments for elderly and disabled households, comprised of 88 one-bedroom units at 30% AMI and 10 two-bedroom units at 30% AMI, located in Burrillville, RI.

Development Team:

	Name	Location	Risk Rating
Sponsor/Developer	Cathedral Development Group, Inc.	Providence, RI	Low
Mortgagor	Bradford Court Associates, LP	Providence, RI	Low
Architect	N/A		
Legal	Gina M. Illiano, Esq.	Providence, RI	Low
Management Agent	Property Advisory Group, Inc.	Providence, RI	Low

Executive Summary:

Property Address	45 North Main Street	Burrillville, RI
Proposed Loan Amount(s) and Terms		
Taxable – 2 nd Mortgage	\$5,000,000	8.25%/40-year amort.

Note: Interest rates are subject to change based on market conditions.

Proposed Sources & Uses:

Sources	Firm	
	Amount	Per Unit
RIH Second Mortgage	\$5,000,000	\$51,020
Total Sources	\$5,000,000	\$51,020

Uses	Amount	Per Unit
	Equity Take-out	\$4,858,600
Soft Costs	\$91,400	\$933
Financing	\$50,000	\$510
Total Uses	\$5,000,000	\$51,020

Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$1,037,630	10,588	(\$13,857)	\$1,023,773	\$10,447
Appraisal Cap Rate	5.75%			5.75%	
Valuation	\$18,045,739	184,140	(\$240,998)	\$17,804,741	\$181,681
Loan Principal	\$13,320,000	135,918		\$13,320,000	\$135,918
LTV	73.81%		1%	74.81%	

Notes:

- The combined balances of the existing first mortgage and the proposed 2nd mortgage are included in the LTV analysis.
- Loan Amount will be reduced if (i) the final interest rate is higher than underwritten rate and/or (ii) if the project cannot maintain a Debt Service Coverage Ratio in excess of 1.20:1 for the combined principal and interest payments for the first and second mortgages.

As part of the approval process, staff has determined that the Development and Owner meet RIHousing's requirements for participating in the refinance/equity take-out program. Broadly, this review includes:

- Compliance with HUD's requirements
- Demonstrated responsible long-term ownership and management of the property
- A long-term HAP contract (20-year renewal completed in November 2023)
- Well-funded reserves
- Low vacancy rates
- Consistency with RIHousing's standard underwriting requirements
- Financial benefit to RIHousing
- Execution of a new 40-year affordability agreement

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$51,020	Proposed 2 nd mortgage only
Residential Vacancy Rate	4%	
DCR Year 1	1.21	Proforma utilizes negative trending.
DCR Year 15	1.45	
NOI	\$1,023,773	Year 1
Income Trending	2%	
Expense Trending	3%	
Loan to Value	73.81%	
Initial Installment (%) of syndication proceeds	NA	
Acquisition Price equal to or less than Appraised value	NA	
Operating Reserve (Amt and confirm consistency with UW requirements)	NA	Existing Reserves exceed required amount.
Replacement Reserve (Amt and confirm consistency with UW requirements)	NA	Existing Reserves exceed required amount.

Deviations from standard underwriting – Yes

A 4% vacancy rate was utilized instead of 5%. The appraisal utilized a 3% vacancy rate while actual historical vacancy has remained at or near 1%. On the date of appraisal, property was 100% occupied with a lengthy waiting list.

Unit Distribution and Revenue:

Unit	Rent Type	Number of Units	Gross Rent	Net Rent	Market Rent	Discount from Market Rent
1	30%	88	\$ 1,575.00	\$ 1,575.00	\$ 1,575.00	0%
2	30%	10	\$ 1,975.00	\$ 1,975.00	\$ 1,975.00	0%
Total		98				0.0%

Market rents were determined by a RIHousing-commissioned appraisal. Market rents were determined to be \$1,575 for the one-bedroom units and \$1,975 for the two-bedroom units. The project is underwritten to the lower of HAP or market rents, which, in this case, are the same.

Attachment B

Resolution of the Trustees of the Affordable Housing Trust Fund

Whereas, the Affordable Housing Trust Fund (the “AHT”) was created by Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) for the sole purpose of making homeownership to low- and moderate-income residents of the State of Rhode Island more affordable;

Whereas, one of the purposes of the AHT is to assist in the preservation of affordable housing throughout the State of Rhode Island; and

Whereas, the AHT has increased its investment portfolio over the last several years through its preservation related activities.

NOW, THEREFORE, IT IS HEREBY:

Resolved, that subject to the special condition listed below, the AHT be and is hereby authorized to commit up to \$5,000,000 in funding to Bradford Court Associates, LP (the “Borrower”) for rental housing known as Bradford Court Apartments located in Burrillville, Rhode Island.

Resolved, that the foregoing resolution is subject to the following condition:

- Completion of all items required by RIHousing for firm commitment and closing in accordance with normal underwriting and processing requirements.

Resolved, that the Executive Director, Deputy Executive Director, and Director of Real Estate Development of RIHousing, each acting singly, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.